

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Corrections
General Office
Year Ended June 30, 2004

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Springfield, Illinois 62706
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REVIEW: 4240
DEPARTMENT OF CORRECTIONS
GENERAL OFFICE AND RELATED DIVISIONS
TWO YEARS ENDED JUNE 30, 2004

FINDINGS/RECOMMENDATIONS - 21

IMPLEMENTED - 12
ACCEPTED - 9

REPEATED RECOMMENDATIONS - 8

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 17

This review summarizes the auditors' reports of the Department of Corrections, General Office, including School District #428, and the Field Services Division, for the two years ended June 30, 2004, filed with the Legislative Audit Commission April 21, 2005. The auditors conducted a department-wide financial audit and compliance examination in accordance with *Government Auditing Standards* and State law. The auditors stated the Department's financial statements were fairly presented.

The mission of the Department of Corrections is to protect the public from criminal offenders through a system of incarceration and supervision which securely segregates offenders from society, assures offenders of their constitutional rights, and maintains programs to enhance the success of the offender's re-entry into society.

The function of the Department of Corrections - General Office is to provide support services to all of the Department's facilities and divisions. This includes establishing and monitoring budget activities, capital planning, accounting services, and data processing. The General Office also performs other functions necessary to carry out the provisions of the Unified Code of Corrections.

The function of the School District is to provide academic and vocational training programs in adult and juvenile Correctional Institutions.

The function of the Adult Transition Centers is to provide basic needs, custody, and program opportunities for adults committed by Illinois courts. The centers provide academic and vocational programs, work experience, and participation in public service projects for residents who are making the transition from prison to free society.

The Department has five major program areas: Bureau of Operations; Adult Institutions/Adult Transition Centers; Parole; Juvenile Institutions; and Women and Family Services.

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The Sheridan Correctional Center, which closed in August 2002, subsequently reopened in January 2004 and was dedicated to provide drug treatment and community crime reduction programs to residents. During FY02, The Department took possession of the newly constructed 1,800-bed maximum-security prison at Thomson. The Department has not housed any inmates at the Thomson facility since it was completed. Construction of the Illinois Youth Center (IYC) – Rushville was completed during the summer of 2003. The Department has not housed any juveniles at the IYC-Rushville facility since it was completed. In 2005, the General Assembly enacted legislation to separate programs for juvenile offenders from the programs for adult offenders, thus creating a new department.

The number of employees at the years indicated was as follows:

	2004	2003	2002
General Office	257	289	367
School District #428	359	367	505
Field Services	733	719	844
TOTAL	1,349	1,369	1,716

Donald N. Snyder, Jr. was the Director of the Department of Corrections from 7/1/02 through 2/23/03. Ernesto Velasco was the Director from 2/24/03 to 3/14/03. Roger E. Walker Jr. became Director effective 6/1/03. Mr. Walker still serves as the Director. Mr. Walker previously served as the Macon County Sheriff and had no previous employment with the Department.

Population and Average Cost Per Resident

Appendix A provides a summary of average populations and yearly cost per inmate for FY04 and FY03 at each of the adult institutions, juvenile centers, and community correctional centers. According to statistics provided by the Department, the average daily population of adult institutions (maximum, medium, and minimum security) decreased slightly from 41,501 for FY03 to 41,430 for FY04. The rated capacity of adult institutions at June 30, 2004 was 31,451 which resulted in 9,979 over capacity.

The average daily population at the eight juvenile centers and the eight Adult Transition Centers increased slightly from 2,856 persons in FY03 to 2,901 persons in FY04. According to the report, the rated capacity for all institutions at June 30, 2004 was 34,261 and the average number of residents was 44,357.

The Department also maintains adult work camps and youth impact incarceration camps (boot camps) at the following locations:

<u>Work Camps</u>		<u>Boot Camps</u>
Clayton	East Moline (2)	Dixon Springs IIP
Hardin County	Kankakee MSU	DuQuoin IIP
Pittsfield	Springfield	
Stateville MSU	Tamms MSU	
Vandalia		

The average yearly cost per resident for adult institutions increased from \$20,508 in FY03 to \$21,295 in FY04; and the average yearly cost per resident for Adult Transition Centers increased from \$20,905 in FY03 to \$21,240 in FY04. The average yearly cost for juvenile centers increased from \$54,501 in FY03 to \$62,756 in FY04.

In FY04 the ratio of security personnel to residents for adult institutions was 1 to 5.0, and the ratio of all staff to residents was 1 to 3.9. For juvenile centers these ratios were 1 to 1.7 and 1 to 1.2, respectively. The amount of actual living area (excluding common areas, showers, etc.) per resident at May 31, 2003 was approximately 37 square feet for the adult institutions and 72 square feet for the juvenile centers.

Expenditures From Appropriations

The General Assembly appropriated a total of \$307,378,502 to the Department of Corrections in FY04. Appendix B summarizes appropriations and expenditures for the period under review. Total expenditures decreased from \$232,757,547 in FY03 to \$228,887,183 in FY04. Examples of significant variations in expenditures for the General Office and other areas, as noted, from FY03 to FY04 included:

- Personal Services and related lines decreased \$7.5 million overall due to on-going vacancies and employees' assuming partial payment of their retirement.
- Payment of Claims under the Workers' Compensation Act increased \$4.3 million in an attempt to liquidate any backlog of claims.
- Tort Claims expenditures increased \$2.4 million due to the timing of court ordered settlements and various property damages.
- Cook County Juvenile Detention Center expenditures increase \$7.5 million due to timing of the payments. This amount reflects expenditures for both FY04 and FY03.
- Cook County Boot Camp Center expenditures increased \$1 million due to funds being appropriated for the first time.
- Contractual Services and Equipment expenditures increased \$5.6 million due to the realization of the parole initiatives and parole agent training.
- School District Program expenditures increased \$4 million due to more in federal awards passed-through from ISBE.
- Federal Programs expenditures decreased \$18 million due to an overall moratorium on State building, thus the decrease in federal funds.
- Reimbursement for Miscellaneous Programs decreased \$3.1 million.

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The \$24 million variation in expenditures between FY02 and FY03 was due primarily to the decrease in personnel services at the General Office and the School District and the renegotiation for contractual services for the school district.

Lapse period expenditures totaled \$24.4 million for FY04, or 10.7% of total expenditures. Examples of significant lapse period expenditures in FY04 for the General Office, and other divisions as noted included:

- \$4.7 million for claims under the Workers' Comp Act and Occupational Diseases Act;
- \$2.3 million for Tort Claims due to parole agent arbitration settlement; and
- \$2.3 million for non-emergency repair and maintenance projects scheduled around the weather conditions.

Cash Receipts

Appendix C contains a summary of cash receipts. Total cash receipts decreased from \$55.3 million in FY02 to \$40.3 million in FY03 to \$32 million in FY04. The reason for the decreases was federal grant awards were not forthcoming due to the overall moratorium on State building.

Property and Equipment

Appendix D provides a summary of property and equipment for FY04. The balance at the end of FY04 for property and equipment was \$66,880,558 compared to \$104,949,977 at the beginning of FY03. The decrease of \$37.2 million was related to a restatement of assets.

Accountants' Findings and Recommendations

Condensed below are the 21 findings and recommendations included in the audit report. Of these, eight are repeated from prior audits. The following recommendations are classified on the basis of information provided by Mary Ann Bohlen, Supervisor of Central Accounting, in a memo received on January 12, 2006 via electronic mail.

Accepted or Implemented

1. **Only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, seek an explanation from the Department of Central Management Services as to how savings levels were calculated, or otherwise arrived at, and how savings achieved or anticipated impact the Department's budget.**

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Findings: The Department made payments for efficiency initiative billings from improper line item appropriations. The Department received four billings totaling more than \$16 million as follows:

- | | |
|---------------------------------------|---------------|
| • Procurement Efficiency | \$ 11,693,900 |
| • Information Technology | \$ 2,751,450 |
| • Vehicle Fleet Management | \$ 672,937 |
| • Facilities Management Consolidation | \$ 897,634 |

The auditors found that the Department made payments for the billings not from line item appropriations where the cost savings were anticipated to have occurred, but from divisions that had enough funds to cover the payments. As examples, the Department used:

- \$897,634 from Personal Services at the Sheridan Correctional Center to cover savings relative to facilities management consolidation;
- \$500,000 from Repairs, Maintenance and other Capital Improvements to apply to procurement efficiency billing;
- \$272,937 from Payment of Workers' Comp Claims to apply to the vehicle fleet efficiency billing;
- \$6.2 million from Contractual Services to apply to the procurement and vehicle management billings; and
- \$1 million from Lump Sum Purposes to apply to the procurement billing.

Updated Response: Implemented. The Department requires sufficient back up documentation for any efficiency payments to CMS.

2. Implement policies and procedures on housing for State employees consistent with the State Employee Housing Act; determine the fair market value of housing benefits through a current appraisal; and report the excess value of housing benefits as income as required by State and federal laws. (Repeated-1999)

Findings: The Department has not implemented a policy to report the value of State housing benefits as income to employees as required by Internal Revenue Regulations and did not comply with the requirements of the State Employee Housing Act.

The Department currently has approximately 259 employees living in State-owned dormitory rooms and 23 employees living in houses located on Department property. The Department charges up to \$120 per month for employee houses and \$27 per month for guard dormitory rooms. The Department pays all utility costs. Although the practice of renting housing to employees at less than market value appears proper, the Department failed to report the value of the housing not paid for by the employees as income to those employees.

Accepted or Implemented - continued

Response: Implemented. In December 2004, the Department fully implemented its State housing program. Employees living in State-owned housing are charged a rate in compliance with the State Employee Housing Act and the Internal Revenue Regulations. Policies and procedures have been documented to include the requirements per the statutes. Employees were informed of the changes and allowed suitable time to either remain in the State housing, or seek other accommodations. Most employees elected to remain in the State Housing at the revised rate. Information regarding the increased rates was input into the Department's payroll system. The Department is working with Central Management Services to obtain the current appraisals on all Corrections' owned State housing.

3. **Send a formal notice to employees whose jobs involve travel to remind them of the requirement and importance of filing accident reports timely. Monitor submission of accident reports to ensure the requirements are being met as required by Administrative Directive. Enforce vehicle maintenance schedules to reduce future year expenditures for repairs and to extend the useful lives of the vehicle. Establish controls to ensure compliance with the "Treasury Rule" which is the value of a vehicle that the Department provides to an employee. Establish a procedure to receive the "Determination of Value of Personal Use of State Vehicle" (Form DC 352) from each employee allowed personal use of a State vehicle to ensure proper records for the reporting of fringe benefits. (Repeated-2000)**

Findings: The auditors identified several weaknesses regarding the reporting of vehicle accidents, vehicle maintenance records, and reporting the value of the "personal use" of State vehicles. Specific problems were as follows:

- Of 25 accidents reviewed, 13 instances had not been reported to the Vehicle Accident Coordinator timely, within three days.
- According to maintenance records of 25 vehicles, five vehicles had not received oil changes after more than 7,500 miles. Three of the five vehicles had been overdue for oil changes two or three times before.
- During testing of employees allowed "personal use" of a State vehicle, the auditors were unable to determine the value of the fringe benefit received for 4 of 19 employees tested. For three out of 19 employees tested, the fringe benefit received on the payroll voucher did not trace back to Form DC 352. The Form DC 352 was not filed timely for six of 19 employees tested.

Response: Accepted. The Department will make every effort to enforce procedures and requirements for the maintenance of State vehicles. The Department will remind staff of the importance of accurate and timely submission of information regarding the use of State vehicles and any accidents. Communication will be distributed to all staff utilizing State vehicles to remind them of the policies and procedures regarding the operation and maintenance of the automobiles.

4. **Improve accounting record procedures and controls at the Centers to ensure:**
- **Accountants prepare year-end reconciliations using correct year-end balances, and that accurate cash balances are reported to the General Office;**
 - **Disbursements are processed properly and authorized, and all supporting documentation retained;**
 - **Maintenance fees are calculated properly and Center personnel document and maintain residents' financial folders and keep any information that would affect such calculations in residents' financial folders in the business office;**
 - **Cash receipts are deposited timely;**
 - **All transactions are posted to the general ledger timely and accurately;**
 - **Procedures are in place so all receipts are properly deposited and recorded;**
 - **Maintain sufficient segregation of duties on receipting and recording of receipts;**
 - **Dormant account memorandums are submitted timely;**
 - **Loans to residents are properly documented and accurate; and**
 - **Property and equipment records are properly recorded and maintained.**
- (Repeated-1994)**

Findings: During testing of the accounting records at the Adult Transition Centers, the following was noted:

- At three of eight Centers, year-end cash balances were misstated;
- At one of the eight Centers, deficiencies related to disbursements from the Residents' Benefit and Trust fund;
- At four of eight Centers, errors related to the calculation of Maintenance Fees on residents' paychecks;
- At four of eight Centers, untimely deposits into various locally held funds;
- At one of the eight Centers, improper posting of transactions to locally held funds;
- At three of eight Centers, internal control problems related to the Residents' Benefit Fund;
- At three of eight Centers, untimely submission of dormant account memorandums;
- At two of eight Centers, resident loan documents not accurate and properly supported; and
- At two of eight Centers, inadequate control over property and equipment records.

Response: Partially Implemented. Several processing changes have been made at the ATCs including the automation of the maintenance payment calculation; the consolidation of all inmate benefit funds; central reconciliation of locally held fund reports; monthly dormant account and check processing and other accounting procedures. Specifically, the Department is addressing each recommendation in the following manner:

- Ensure Center accountants prepare year-end reconciliations using correct year-end balances, and that accurate cash balances are reported to the General Office. DOC will require the bank statement to be submitted along with year-end financial

Accepted or Implemented - continued

reports to the General Office. This will aid in the reconciliation and identification of balances.

- Ensure disbursements are properly processed and authorized, and Center personnel retain all supporting documentation. The banks at the respective Centers will be sent a reminder letter that all disbursements must contain two signatures. The employees mailing the checks will be required to verify dual signatories.
- Ensure maintenance fees are calculated properly and Center personnel document and maintain in the residents' financial folders in the business office any information that would affect such calculations. DOC has automated the maintenance calculation function. Employees are no longer required to manually calculate this amount. All information regarding the calculations will be maintained in the banking file or on the automated system.
- Ensure cash receipts are deposited in a timely manner. The cash recipients for the inmate benefit funds will be subject to the consolidated inmate benefit fund procedures. This will allow for full use of automatic funds transfers and ensure timely deposits.
- Ensure all transactions are posted to the general ledger timely and accurately. The inmate benefit funds will be consolidated into one fund. ATC business office staff have been issued a reminder of the policy to reconcile the funds timely and accurately and to ensure proper postings.
- Ensure procedures are in place so all receipts are properly deposited and recorded. The cash receipts for the inmate benefit funds will be subject to the consolidated inmate benefit fund procedures. This will allow for full use of funds transfers and ensure timely deposits.
- Ensure that there is sufficient segregation of duties on receipting and recording of receipts. ATC staff has been reminded of the requirement for an adequate segregation of duties regarding receipts. Employees have been reassigned to achieve this control.
- Ensure dormant account memorandums are submitted timely. In accordance with DOC policy, dormant accounts are reviewed in Springfield on a monthly basis. When accounts are determined to be transferable, then the request is prepared.
- Ensure loans to residents are properly documented and accurate. ATC business office staff have been issued a reminder of the existing policy to reconcile the funds timely and accurately. Additionally, with the consolidation of the inmate benefit funds, there will be another layer of oversight.
- Ensure property and equipment records are properly recorded and maintained. The facility staff have been trained on property procedures.

Updated Response: Implemented. In order to address the issues related to financial records, several procedures have been put into place. The trust fund system automatically calculates maintenance payment amounts, dormant accounts are automatically generated monthly and the inmate benefit fund is administered centrally by Fiscal Services.

- 5. Follow established policies and procedures to ensure that all State property is returned and other issues affecting separated employees are addressed.**

Findings: The Department was not following the established standardized procedures when employees leave employment with the Department. The auditors tested 25 employees who had separated, noting the separation checklist was only partially completed for 16 employees and not completed at all for nine. During FY03 and FY04, 3,353 and 1,534 employees, respectively, left employment with the Department.

Response: Accepted. The Department will make every effort to ensure the standardized procedures for departing employees are followed. Due to the large number of employees that separated from service during the audit cycle, some forms were not completed in their entirety. No equipment or other state assets were missing, and other issues related to the separation were addressed. Due to the large volume of exits and the relative newness of the form requirement, some forms were unintentionally overlooked.

6. Adhere to procedures concerning employee training to ensure employees receive the required training to enable them to perform their specific job duties. (Repeated-2000)

Findings: The Department is not properly documenting that all employees complete their minimum required number of training hours. In addition, no Training Coordinators were designated. The Department was unable to document that 14 of 35 employees tested had met the minimum training hour requirement.

Response: Accepted. The Department will make every effort to ensure employee training is documented. Training Coordinators will be named for the General Office, School District and Field Services areas. Employees receive numerous hours of training, most specifically on-the-job training. Due to limited staff, cross training is a major requirement. The hours of on-the-job training will be documented in order to address the appearance of a lack of training. Additionally, a local area training coordinator will be assigned by functional area for the General Office, Field Services and School District. The Department Training Academy will hold training to ensure the local area coordinators have an adequate base of knowledge to help the employees in their area meet their mandatory training hours.

7. Implement an automated timekeeping system and correct any prior underpayments or overpayments. (Repeated-1998)

Findings: The Department-wide payroll timekeeping system was not automated. Each Correctional Center maintains a manual timekeeping system for several hundred employees. Facility employees sign in and out, and sign-in sheets are sent to the timekeeping clerk. Other information, including notification of absence and call-in reports,

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are also forwarded to the timekeepers. No automation is involved except for the processing of payroll warrants. The auditors noted that one of 25 employees' vacation time was not properly calculated by 22.5 hours. Also, one of 75 employees' lump sum amount was not properly calculated by 26 days, resulting in approximately \$6,000 in underpayment to the employee.

Updated Response: Implemented. The Department installed the automated timekeeping system used by the Department of Human Services. The system is currently being used in the Springfield Offices and it is anticipated that the system will go live at the correctional facilities during calendar year 2006.

8. Continue to pursue legislation to delete unfilled positions from the statutes, or comply with the statute. (Repeated-1986)

Findings: State law requires the Department's Adult and Juvenile Divisions to be administered by Assistant Directors appointed by the Governor. One of the Assistant Director positions remains vacant and has not been filled for numerous years.

Response: Accepted. The Department will make every effort to reach a resolution to the issue and comply with the mandate, or seek legislative remedy.

9. Follow the mandated reporting requirements and provide written notifications of the release and/or escape of any person from the Juvenile Division to persons and agencies as specified. (Repeated-2002)

Findings: The Department did not always provide written notification of the release of persons from the Juvenile Division to the proper authorities (State's Attorneys, Sheriffs, police or public housing agencies) as required by law. The auditors sampled 35 of 134 files of juveniles released and noted the following:

- In 15 of 35 files tested, the Department did not notify the State's Attorney or Sheriff of the county from which the offender was convicted;
- In 14 of 35 files tested, the Department did not notify the State's Attorney or Sheriff of the county into which the offender was to be paroled or released; and
- In 16 of 35 files tested, the Department did not notify the municipal law enforcement agency where the arrest occurred, offender resided or commission of offense took place.

Response: Accepted. Written direction was given to the Juvenile Facilities regarding the procedures for notification of release of any person from the Juvenile Division. Wardens at the juvenile facilities were given direct instruction to ensure their compliance with this mandate. The mandate is only applicable for felony convictions. The Department provides notification as required, but the instances cited were due to human error.

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Procedures have been implemented that would issue automatic reports to be mailed to the applicable parties requiring notification.

10. Ensure a public hearing is held, annual inspections are performed and the task force submits recommendations to the General Assembly as required by law concerning the delivery of mental health services and the prevention of suicides in municipal jails and lockups. (Repeated-2002)

Findings: The Department did not hold a public hearing, did not submit task force recommendations to the General Assembly, and did not inspect each local jail and juvenile detention facility concerning the delivery of mental health services and prevention of suicides in municipal jails and lockups as required by law.

Response: Partially Implemented. The changes to the Administrative Code were made public and reviewed at JCAR hearings. In late 2004, the hearings concluded and the Administrative Code was changed. In early 2005, after new members were appointed to the Mental Health Task Force, the new Illinois County Jail Standards were mailed to all county jails in Illinois. In 2005, specialists will initiate inspections of all county jails in Illinois.

Updated Response: Implemented.

11. Prepare required reports and plans on a timely basis and submit them to the required parties in accordance with State statutes.

Findings: The Department did not submit certain required reports to the Governor and/or the General Assembly. The auditors identified the following exceptions:

- A comprehensive plan providing for the best possible use of available resources for the development of the State's human resources and the provision of social services by the agency.
- Report on the pilot program to determine the effectiveness of pupillometer technology.
- Annual report concerning the State and condition of all persons committed to the Department, its institutions, facilities and programs, of all money expended and received, and on what accounts expended and received.
- Annual report on any inadequacies in the institutions, facilities or programs of the Department and amendments necessary to best advance the purposes of the Unified Code of Corrections.
- Five-year long-range planning document for adult female offenders and the Department plans to meet the housing, educational/training, Correctional Industries and programming need of the escalating adult female offender population.

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- Report on the results of evaluations on educational, vocational, substance abuse and correctional industry programs under which good conduct credit may be increased.
- Report on the pilot residential and treatment program for women, including the composition of the program by offenders, sentence, age, offense and race.

Response: Accepted. The Department will make every effort to comply with the mandated reporting requirements. In order to comply with the mandate, the Planning and Research Unit will work to complete the reports as required. The appropriate management staff will ensure the reports are completed and presented or obtain documented time extensions.

12. Designate a representative to be on the interagency review committee between the Department and DCFS to comply with State statute.

Findings: The Department did not designate a representative to be on the interagency review committee between DCFS and DOC. The Committee has the responsibility to determine if DCFS lacks adequate facilities to care for and rehabilitate a minor and that placement with DOC would be appropriate.

Response: Implemented. A representative was appointed to the interagency review committee. Notification will be issued to DCFS of any subsequent employee appointments. Since DCFS is the lead agency for the mandate, DOC will comply with any meeting requests initiated by DCFS.

13. Provide the written notification to all required entities within 15 days of the release of any person to a Transition Center as required by State statute.

Findings: The Department did not provide the required written notification of the placement of persons into Half-way Houses (Transition Centers) as required by law. During the examination period, the Department placed 2,273 individuals into Transition Centers. In 25 out of 50 files tested, the Department did not send written notification of a person's placement in a Transition Center 15 days prior to placement, as required.

Response: Implemented. Written direction was given to all facilities regarding the notification requirements for placements of persons into Transition Centers (half-way houses). Automatic reports are generated by the tracking system. The reports will be distributed to the appropriate parties as notification of placement in a half-way house (transition center).

14. Follow established procedures to ensure the security of Residential Youth Care Facilities.

Findings: The Department did not follow its own established procedures regarding background investigations and on-site inspections for post release treatment programs for juvenile offenders. The auditors selected eight post release treatment programs and found that the Department did not perform employee background investigations at any of the eight facilities. In addition, the Department did not do on-site inspections of the facilities.

Updated Response: Implemented. The Department has developed procedures to ensure compliance with contractual requirements. Contracts have been reviewed to ensure that the specifications and requirements meet the needs of the Department. There is a stringent process prior to being certified as vendor for juvenile placements. Juveniles in placements continue to receive oversight by the Department and any potential non-compliance by the vendor is swiftly addressed. Continued contract monitoring is performed to ensure the adequacy of the placement to meet the specific needs of the juvenile.

15. Keep an updated record of individuals that are consensually or non-consensually transferred to the Department of Human Services to ensure compliance with State statute.

Findings: The Department was unable to provide documentation of all the individuals who were either consensually or non-consensually transferred to the Department of Human Services.

Response: Implemented. The information regarding transfers to and from the Department of Human Services is now available via a report from the automated inmate system. The information is available on an as needed basis to various users of the system. Additionally reports may be created by the Management Information System Unit to address specific needs or auditing issues.

16. Prepare and submit annual reports in accordance with the established requirements.

Findings: The auditors noted the following instances in which the Department did not timely prepare and submit required annual reports:

- The report to trial and appellate court judges for their use in imposing or reviewing sentences was not submitted timely.
- The Department could not document that it filed the Annual Real Property Utilization Report with CMS.
- The Department did not complete the Service Efforts and Accomplishments Report as required by the State Comptroller for FY04.

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Response: Accepted. The Department will make every effort to comply with the reporting requirements. In order to comply with the mandate, the Planning and Research Unit will work to complete the reports as required. The appropriate management staff will ensure the reports are completed and presented or obtain documented time extensions.

Updated Response: Partially Implemented. The Department complied with reporting requirements regarding the SEA Report for the year ended June 30, 2005. The Department will continue to make every effort to comply with the reporting requirements.

17. Send notices to the applicable State's Attorney within 14 days of a settlement, verdict or judgment in excess of \$500 against the Department as set forth in the statute.

Findings: There were 19 settlements, verdicts or judgments in excess of \$500 against the Department, but notices had been sent during the examination period.

Response: Implemented. The Department has established a procedure to ensure the notifications are sent for all applicable settlements. The Department previously sent out notifications only for a specific category of the inmate population. Due to the revised interpretation of the mandate, the Department immediately began complying with the auditor recommendation.

18. Provide written information notification to the appropriate Public Housing Agency that a felon in the custody of the Department parole or mandatory release resided, resides or will reside there as required by the State statute.

Findings: The auditors selected a sample of 25 individuals who were in the custody of the Department or on parole or mandatory supervised release and who were currently residing in public housing to determine if the public housing agency had received notification. For 11 of 25 individuals, the Department did not have documentation that the proper notification was sent to the appropriate Public Housing Agencies.

Response: Accepted. Written direction was given to all facilities regarding the proper procedures for providing written notification to local law enforcement of felony residents at public housing. Automatic reports are generated by the tracking system. The reports will be distributed to the appropriate parties as notification of the placement in a public housing agency of the applicable inmate population.

19. Comply with the applicable laws related to the operation of commissaries.

Findings: The Department identified 49 employees from 23 correctional centers to be paid from the profits of the commissary funds. The auditors through testing noted the following:

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- 21 of the employees identified as being paid from the profits of the commissaries were not identified as working at the commissaries.
- 104 employees were identified as working at commissaries.
- The Department maintains commissary operations at 28 correctional centers, but the Department only identified employees as being paid from the profits of commissaries at 23 correctional centers.

The Code now requires 40% of the profits to be transferred to the respective benefit funds and the remainder to be used to first pay for wages and benefits of employees covered under collective bargaining agreement who are employed at commissary facilities and then to pay the costs of dietary staff.

Response: Accepted. The Department will make every effort to comply with the commissary provisions of the Unified Code of Corrections. The Department is completing a three-phase approach to the resolution of this finding:

- Obtain a resolution to the on-going issue of transferring the funds from the employee commissary funds. This is to be achieved by a determination between management and affected parties.
- Update the prior analysis of employees working in the inmate commissary. The process will be completed twice per year in order to achieve the maximum efficiency for the mandate. The employees working in the commissary will be paid from the commissary proceeds in accordance with the statute to the limit of the available funding.
- A review will be completed of the juvenile operations in regards to inmate purchases. A standard policy and procedure will be implemented for all juvenile facilities without an on site commissary operation.

Updated Response: Partially Implemented. The Department only requires the facilities with commissary operations to contribute to the wages and benefits of the commissary employees. The Department continues to work to obtain a resolution to the on-going issue of transferring the funds from the employee commissary funds. The actual workers in the commissary are reviewed and payrolls applied to funding sources appropriately.

20. Utilize appropriations for goods and services specific to the Department of Corrections as set forth in the appropriation bill. Comply with the State Finance Act and ensure that goods or services are used only by the Department making the certification on the voucher.

Findings: The Department expended \$14,530 for file folders, which were shipped directly to the Prisoner Review Board.

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Response: Implemented. The Department will ensure compliance with the State Finance Act and the appropriations bill in regards to this finding. This one expenditure was a one-time event made for the purchase of folders for files of DOC inmates in order to properly prepare for parole hearings by the Prisoner Review Board.

21. Comply with the requirements of the Illinois Procurement Code in making commissary purchases.

Findings: The Department is not complying with requirements of the Procurement Code with regard to purchases of items for resale in the Department's commissaries at Correctional Centers. The Department maintains numerous commissary operations at Correctional Centers for inmates and employees. Purchases are made from vendors for commodities to be resold in the commissaries. Total purchases made from vendors for resale in the commissaries were approximately \$26 million for FY04. The commissaries commodity purchases are made through non-appropriated locally held funds. As a result of testing, the auditors noted the following items:

- Purchases were not made by competitive sealed bidding or proposals.
- Terms and conditions for purchases of goods from vendors for the commissaries were not documented in the form of a contract.
- None of the required procurement notices were published in the Illinois Procurement Bulletin.
- The Department's Administrative Directive, which provides guidance to employees on commissary purchases does not include all the requirements of the law.

Department management indicated they follow their Administrative Directives regarding the operation and purchase of goods for its commissaries. This requires various items to be purchased via bid and OFD. However, due to security concerns, there are many items that require specific packaging, or must be made of certain materials. Therefore, the Department believes its commissary purchases are sole source procurements. Additionally management went on to note it was critical to have deliveries as promised and scheduled. Failure to have merchandise as needed/desired by inmates could have a severe security concern.

Response: Implemented. The Department is currently in the process of creating formal bidding documents for the commissary operations. Additionally, a procedure will be implemented to document future procurement policies. In order to achieve the most efficient process for the procurement of goods for resale in the commissary, the Department is gathering information for inclusion in formal bidding documents.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY03 and FY04, the Department of Corrections, General Office, filed two affidavits for emergency purchases using federal funds, totaling \$212,224.00 for computer software and equipment.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

The Department of Corrections indicated as of July 15, 2004, the Department had 494 employees assigned to locations other than official headquarters.